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REVISED FISCAL NOTE

(replaces fiscal note dated February 27, 2018)

Drafting Number: LLS 18-0899 Date: March 22, 2018
Prime Sponsors: Sen. Priola; Todd Rep. Bridges; Sias Bill Status: House Education
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Bill Topic: PRIVATE SCH & PRIVATE OCCUPATIONAL SCH BONDS

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

The bill allows the Department of Higher Education to retain a portion of a private occupational school or other degree-granting school's surety in order to cover administrative costs when the school closes. The bill increases state revenue on an ongoing basis.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the reengrossed bill and has been revised to reflect new information.

Table 1 State Fiscal Impacts Under SB18-177

Table with 4 columns: Revenue, Expenditures, Transfers, Cash Funds, FY 2018-19, FY 2019-20. Values range from up to \$8,000 to -.

## **Summary of Legislation**

Under current law, private occupational schools and certain private, degree-granting schools are required to provide a bond or other form of surety in order to facilitate transfer for or provide tuition reimbursement to students, should the school close. In addition, when a private occupational school closes, the school's records are maintained by the Department of Higher Education (DHE).

The bill allows the DHE to make a claim on the surety bond for administrative costs associated with the school closure, and retain an amount of the surety, after reimbursing tuition or facilitating a transfer, that is no greater than the cost of administrative expenses.

## **Background**

**Definition of private occupational schools.** Colorado law defines private occupational schools as any entity or institution for profit or not for profit which offers educational credentials or educational services designed to facilitate the vocational, technical, or occupational development. Services may include vocational or technical training for gainful employment as semiskilled or skilled workers or technicians in occupations that require less than a four-year baccalaureate degree.

**Division of Private Occupational Schools.** The Division of Private Occupational Schools (DPOS) in the DHE is charged with regulating private occupational schools and their educational services. Private occupational schools must be approved by the DPOS and file changes to programs, courses, agents, and location with DPOS. There are over 360 approved private occupational schools.

**Closure process.** When a private occupational school closes, the school is required to notify enrolled or recruited students and DPOS of the closure, submit to DPOS student, educational, and financial records going back at least six years, and surrender the school's certificate of approval. DPOS also provides guidance to schools on whether a plan to assist students with completing their degrees can be reached. When a school closes, the student may receive a refund of unearned tuition and fees, and assistance transferring to another school. For private, degree-granting schools that are unable to meet certain criteria and for private occupational schools, a surety is required in order to cover those costs. The surety requirement may range from \$5,000 to \$1 million, depending on the size of the school and the amount of prepaid tuition.

Over the last 10 years, DPOS has managed 203 school closures, including 19 in 2015, 19 in 2016, and 16 in 2017, and 3 thus far in 2018. Of those, approximately 5 in the last two years have been unplanned closures.

## **State Revenue**

The bill increases revenue to the DPOS Cash Fund in DHE by up to \$8,000 annually beginning in FY 2018-19. Surety bond revenue will be retained by the department when the unplanned closure results in significant additional costs, such as the moving and storing of the school's physical records, and when the surety amount exceeds the tuition amount already paid by students prior to the school closure. Based on recent closures and costs associated with those closures, the fiscal note assumes two unplanned closures per year, and that DPOS will retain

between \$2,000 and \$4,000 per surety to cover costs, resulting in up to \$8,000 of revenue per year. Surety bond revenue that exceeds both tuition costs and additional administrative expenses reverts back to the bond company.

### **TABOR Refund**

The bill increases state revenue subject to TABOR by up to \$8,000 beginning in FY 2018-19. State revenue is not currently expected to exceed the TABOR limit in either year and no refund is required. Therefore, the bill is not expected to impact TABOR refunds in these years. However, refunds in future years when the state next collects a TABOR surplus may be increased.

### **Effective Date**

The bill takes effect August 8, 2018, if the General Assembly adjourns on May 9, 2018, as scheduled, and no referendum petition is filed.

### **State and Local Government Contacts**

Higher Education